

**OKOBOJI
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 23
Statement of Cash Flows	I 24
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 25
Statement of Changes in Fiduciary Net Assets	K 26
Notes to Financial Statements	27-35
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	36
Note to Required Supplementary Information - Budgetary Reporting	37
Schedule of Funding Progress for the Retiree Health Plan	38
Other Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 39-40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	2 41
Schedule of Expenditures of Federal Awards	3 42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	43-44
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	45-46
Schedule of Findings and Questioned Costs	47-50

OKOBOJI COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Christopher Stein	President	2011
Phil Miklo	Vice President	2011
Markham Hale		2011
Dee Wermersen		2009
Laurie Simington		2009

(After September 2009 Election)		
Christopher Stein	President	2011
Laurie Simington	Vice President	2013
Markham Hale		2011
Dee Wermersen		2013
Phil Miklo		2011

School Officials

Robert Miller	Superintendent
Katy Sporrer	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Okoboji Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Okoboji Community School District, Milford Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Okoboji Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2011 on our consideration of Okoboji Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Okoboji Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2004 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

February 8, 2011

OKOBOJI COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Okoboji Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,101,975 in fiscal year 2009 to \$9,137,098 in fiscal year 2010 (1% increase), while General Fund expenditures increased from \$8,960,254 in fiscal year 2009 to \$9,087,215 in fiscal year 2010 (1% increase).
- General Fund revenues showed increased property tax and federal revenues, however, these were offset by state revenue decreases. Expenditures increased due to grants and payroll increases.
- The statewide sales, services and use tax continues to generate funds for the District. These monies are being used for construction and improvement of district facilities. This tax allows the District to update its facilities without raising property taxes. It has also allowed the District to retire debt without the use of property taxes. The amount received in fiscal year 2010 was down over \$100,000 from fiscal year 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Okoboji Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Okoboji Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Okoboji Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund, as well as a multiyear comparison of revenues and expenditures. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefitting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Okoboji Community School District Annual Financial Report

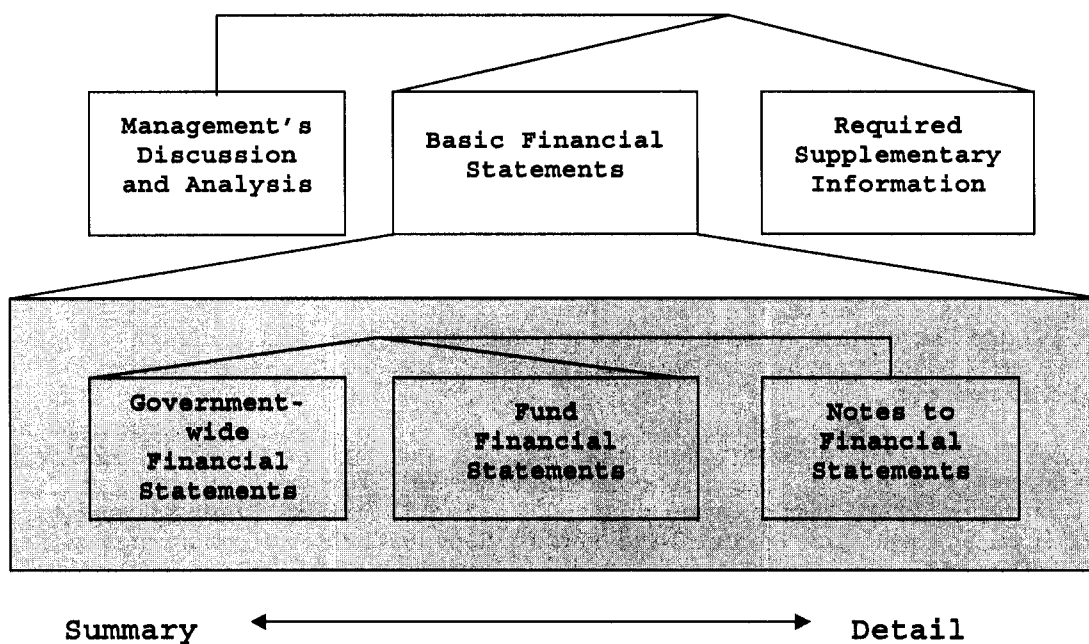


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- **Private-Purpose Trust Fund** - The District accounts for outside donations for scholarships for individual students in this fund.
- **Agency Funds** - These are funds through which the District administers and accounts for certain revenue collected for special needs activities.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to June 30, 2009.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 11,897	11,757	83	65	11,980	11,822	1.32%
Capital assets	13,102	13,200	65	66	13,167	13,266	-0.75%
Total assets	<u>24,999</u>	<u>24,957</u>	<u>148</u>	<u>131</u>	<u>25,147</u>	<u>25,088</u>	<u>0.23%</u>
Current liabilities	8,646	8,518	25	19	8,671	8,537	1.55%
Non-current liabilities	1,224	1,855	-	-	1,224	1,855	-51.55%
Total liabilities	<u>9,870</u>	<u>10,373</u>	<u>25</u>	<u>19</u>	<u>9,895</u>	<u>10,392</u>	<u>-5.02%</u>
Net Assets							
Invested in capital assets, net of related debt	12,490	11,811	65	66	12,555	11,877	5.40%
Restricted	1,177	829	-	-	1,177	829	29.57%
Unrestricted	1,462	1,944	58	46	1,520	1,990	-30.92%
Total net assets	<u>\$ 15,129</u>	<u>14,584</u>	<u>123</u>	<u>112</u>	<u>15,252</u>	<u>14,696</u>	<u>3.65%</u>

Total net assets increased almost 4% due primarily to three factors - continued collection of sales tax, continued investment by the District in its capital assets and a 3% increase in the General Fund. Purchases of capital assets require current resources. However, their cost is spread out over the useful life of the asset. The General Fund increased due to careful monitoring of expenses. The unrestricted net assets decreased due to the recognition of postemployment benefit costs. These are insurance costs that will be covered by future tax askings but are required to be shown as liabilities currently.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2010	2009	2010	2009	2010	2009	2009-2010	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 618	534	205	218	823	752	9.44%
Operating grants, contributions and restricted interest	1,692	2,294	180	149	1,872	2,443	-23.37%
General revenues:							
Property tax	7,426	6,768	-	-	7,426	6,768	9.72%
Income surtax	146	139	-	-	146	139	5.04%
Statewide sales, services and use tax	972	1,085	-	-	972	1,085	-10.41%
Unrestricted state grants	10	203	-	-	10	203	-95.07%
Unrestricted investment earnings	46	121	-	-	46	121	-61.98%
Other	(31)	15	-	-	(31)	15	-306.67%
Total revenues	10,879	11,159	385	367	11,264	11,526	-2.27%
Program expenses:							
Governmental activities:							
Instruction	6,741	6,490	-	-	6,741	6,490	3.87%
Support Services	2,510	2,319	-	-	2,510	2,319	8.24%
Non-instructional programs	-	-	374	380	374	380	-1.58%
Other expenses	1,083	1,130	-	-	1,083	1,130	-4.16%
Total expenses	10,334	9,939	374	380	10,708	10,319	3.77%
Change in net assets	\$ 545	1,220	11	(13)	556	1,207	-53.94%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses. The District enjoys a high property valuation which allows it to have the lowest property tax levy of any school district in the State of Iowa. This also means that they receive a lower than average percentage of their revenues from state sources. As a result, the impact of midyear state aid cuts is not as dramatic as for most districts.

Governmental Activities

Revenues for governmental activities were \$10,879,069 and expenses were \$10,333,652 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2010 compared to they year ended June 30, 2009.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 6,741	6,490	8.24%	4,824	4,048	19.17%
Support services	2,510	2,319	-4.16%	2,479	2,263	9.54%
Other expenses	1,083	1,130	-4.16%	720	800	-10.00%
Totals	\$ 10,334	9,939	3.97%	8,023	7,111	12.83%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$618,115.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$985,896.
- The net cost of governmental activities was financed with \$7,571,493 in property tax, and \$9,944 in state foundation aid.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2010 were \$384,659 and expenses totaled \$373,667. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the balance in the School Nutrition Fund increased by 10%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Okoboji Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,899,652, a one percent increase over last year's ending fund balances of \$2,874,621. The primary reason was the increase of almost \$50,000 was in the District's General Fund.

Governmental Fund Highlights

- The District's General Fund balance increased 3% over the prior year. Additional local taxes were the primary source of increase. State aid decreased to almost zero. Replacement federal funds were inadequate to cover the state aid cuts. Allowable growth of 4% or less is inadequate to maintain current programs without dipping into reserves.
- The District continues to improve its facilities and relieve property tax asking primarily through the use of statewide sales, services and use tax revenues.

- The District's resident enrollment increased by 5.8 students. The District was allowed to count an additional 37.8 students as part of the state sponsorship of the 4 year old preschool program (a decrease of 8.4) .29 more students open enroll into the District then open enroll out (increase of 21.0)
- Capital Projects monies were used for a variety of projects and property tax relief throughout the District spending more then revenues received was part of the District's planning.

Proprietary Fund Highlights

The School Nutrition fund increased 10% during the year. The Nutrition Fund completed a fifth straight year of not requiring assistance from the General Fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 36 and 37.

Legal Budgetary Highlights

The District's receipts were 6% less than budgeted receipts. The most significant variance resulted from the District receiving \$830,000 less in state aid than anticipated.

Total expenditures were less than budgeted in total, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District did not exceed the budgeted amounts in any of the four functions, nor did the District exceed its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$13.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$678,950.

The original cost of the District's capital assets was \$22,483,315. Governmental funds account for \$22,133,994, with the remainder of \$349,321 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Asset, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 249	249	-	-	249	249	0.00%
Site improvements	664	586	-	-	664	586	13.31%
Buildings	11,360	11,617	-	-	11,360	11,617	-2.21%
Furniture and equipment	829	748	65	66	894	814	9.83%
Totals	\$ 13,102	13,200	65	66	13,167	13,266	-0.75%

Long-Term Debt

At June 30, 2010, the District had over \$1.0 million in revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 46% from last year (See Figure A-7).

The District benefits from having the local banks purchase revenue bonds. The District is paying less interest expense and has a much less complicated system of repayment. These revenue bonds will be retired in fiscal year 2011.

In 2009, the District borrowed \$163,000 for the purchase of a building to house the alternative high school. The District makes payments of \$1,289 monthly for five years, then there is a balloon payment of approximately \$120,000 to complete the purchase.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
Early retirement	\$ 390	466	-16.31%
Real estate contract	149	157	100.00%
Revenue bonds	463	1,232	-62.42%
Total	\$ 1,002	1,855	-45.98%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District experienced an increased resident enrollment. Allowable growth of 4% or less is inadequate to maintain existing programs without dipping into reserves.
- Unprecedented midyear state aid cuts make it difficult to plan from year to year.
- Health insurance continues to be a very costly item to the District. The District continues to explore options for more affordable coverage.

- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The legislature in proposing a statewide one cent sales tax for schools. This will have a major impact on the District's equipment and infrastructure purchases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Katy Sporrer, Business Manager, Okoboji Community School District, 1205 7th Street, Milford, IA 51351.

Basic Financial Statements

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,854,464	67,739	3,922,203
Receivables:			
Property tax:			
Current year	57,420	-	57,420
Succeeding year	7,602,591	-	7,602,591
Income surtax - succeeding year	142,105	-	142,105
Due from other governments	238,438	-	238,438
Other receivables	2,161	-	2,161
Inventories	-	15,026	15,026
Capital assets, net of accumulated depreciation	13,101,838	64,898	13,166,736
Total assets	<u>\$ 24,999,017</u>	<u>147,663</u>	<u>25,146,680</u>
Liabilities			
Accounts payable	\$ 125,605	-	125,605
Accrued payroll and benefits	875,213	24,625	899,838
Accrued interest payable	1,198	-	1,198
Deferred revenue:			
Succeeding year property tax	7,602,591	-	7,602,591
Federal programs	41,184	-	41,184
Long term liabilities:			
Portion due within one year:			
Early retirement	79,305	-	79,305
Real estate contract	8,205	-	8,205
Revenue bonds	462,592	-	462,592
Portion due after one year:			
Net OPEB liability	222,338	-	222,338
Early retirement	310,665	-	310,665
Real estate contract	140,775	-	140,775
Total liabilities	<u>9,869,671</u>	<u>24,625</u>	<u>9,894,296</u>
Net Assets			
Invested in capital assets, net of related debt	12,490,266	64,898	12,555,164
Restricted for:			
Student activity	128,450	-	128,450
Management fund	217,419	-	217,419
Physical plant and equipment levy	195,665	-	195,665
Debt service	47,469	-	47,469
Capital projects	254,916	-	254,916
Categorical funding	333,282	-	333,282
Unrestricted	1,461,879	58,140	1,520,019
Total net assets	<u>\$ 15,129,346</u>	<u>123,038</u>	<u>15,252,384</u>

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest			
	Charges for Service		Governmental Activities	Business Type Activities
Expenses				Total
Functions/Programs:				
Governmental activities:				
Instruction:	\$ 6,740,605	616,747	1,299,721	(4,824,137)
				(4,824,137)
Support services:				
Student services	259,635	-	-	-
Instructional staff services	162,030	-	-	-
Administration services	1,011,057	-	-	-
Operation and maintenance of plant services	771,607	-	29,722	-
Transportation services	305,846	1,368	-	-
	2,510,175	1,368	29,722	-
				(2,479,085)
				(2,479,085)
Other expenditures:				
Facilities acquisition	12,493	-	3,035	-
Interest on long-term debt	41,935	-	924	-
AEA flowthrough	358,743	-	358,743	-
Depreciation (unallocated)*	669,701	-	-	-
	1,082,872	-	362,702	-
				(720,170)
				(720,170)
Total governmental activities	10,333,652	618,115	1,692,145	-
				(8,023,392)
				(8,023,392)

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses					
Business type activities:					
Non-instructional programs:					
Nutrition services	373,667	204,615	180,044	-	10,992
Total	\$ 10,707,319	822,730	1,872,189	(8,023,392)	(8,012,400)
General Revenues:					
Property tax levied for:					
General purposes			\$ 6,897,215	-	6,897,215
Management Fund			208,898	-	208,898
Capital outlay			319,677	-	319,677
Income surtax			145,703	-	145,703
Statewide sales, services and use tax			972,290	-	972,290
Unrestricted state grants			9,944	-	9,944
Unrestricted investment earnings			45,951	-	45,951
Loss on disposal of capital assets			(54,393)	-	(54,393)
Other			23,524	-	23,524
Total general revenues			8,568,809	-	8,568,809
Change in net assets			545,417	10,992	556,409
Net assets beginning of year			14,583,929	112,046	14,695,975
Net assets end of year			\$ 15,129,346	123,038	15,252,384

* This amount excludes the depreciation that is included in the direct expense of the various programs.
See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Assets							
Cash and pooled investments	\$ 2,506,344	128,450	605,776	193,862	161,680	48,667	3,644,779
Receivables:							
Property tax:							
Current year	53,266	-	1,613	2,541	-	-	57,420
Succeeding year	7,053,864	-	214,620	334,107	-	-	7,602,591
Income surtax - succeeding year	142,105	-	-	-	-	-	142,105
Due from other governments	143,375	1,827	-	-	93,236	-	238,438
Other receivables	1,017	-	-	-	-	-	1,017
Total assets	\$ 9,899,971	130,277	822,009	530,510	254,916	48,667	11,686,350
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 123,040	1,827	-	738	-	-	125,605
Accrued payroll and benefits	875,213	-	-	-	-	-	875,213
Deferred revenue:							
Succeeding year property tax	7,053,864	-	214,620	334,107	-	-	7,602,591
Succeeding year income surtax	142,105	-	-	-	-	-	142,105
Federal programs	41,184	-	-	-	-	-	41,184
Total liabilities	8,235,406	1,827	214,620	334,845	-	-	8,786,698
Fund balances:							
Reserved for:							
Categorical funding	333,282	-	-	-	-	-	333,282
Debt service	-	-	-	-	-	48,667	48,667
Unreserved, reported in							
Capital projects fund	-	-	-	-	254,916	-	254,916
Special revenue funds	-	128,450	607,389	195,665	-	-	931,504
General fund	1,331,283	-	-	-	-	-	1,331,283
Total fund balances	1,664,565	128,450	607,389	195,665	254,916	48,667	2,899,652
Total liabilities and fund balances	\$ 9,899,971	130,277	822,009	530,510	254,916	48,667	11,686,350

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)	\$ 2,899,652
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**Amounts reported for governmental activities in the Statement of
Net Assets are different because:**

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	142,105
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,101,838
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An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	210,829
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,198)
--	---------

Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Net OPEB liability	\$ (222,338.00)	
Early retirement	(389,970)	
Real estate contract	(148,980)	
Revenue bonds	(462,592)	(1,223,880)

Net assets of governmental activities (Exhibit A)	<u>\$ 15,129,346</u>
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OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 7,029,413	-	208,898	319,677	972,290	-	8,530,278
Tuition	616,747	-	-	-	-	-	616,747
Other	136,573	248,313	26,857	2,647	3,035	924	418,349
State sources	415,945	-	87	131	-	-	416,163
Federal sources	938,420	-	-	-	-	-	938,420
Total revenues	9,137,098	248,313	235,842	322,455	975,325	924	10,919,957
Expenditures:							
Instruction	6,333,950	242,539	113,865	20,270	2,212	-	6,712,836
Support services:							
Student services	241,655	-	-	17,980	-	-	259,635
Instructional staff services	173,744	-	-	-	80,688	-	254,432
Administration services	968,587	-	34,162	7,747	561	-	1,011,057
Operation and maintenance of plant services	725,167	-	44,829	24,115	-	-	794,111
Transportation services	285,369	-	20,477	-	82,735	-	388,581
	2,394,522	-	99,468	49,842	163,984	-	2,707,816

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
Facilities acquisition and construction services	-	-	-	247,144	49,961	-	297,105
Principal on long-term debt	-	-	-	-	-	777,689	777,689
Interest on long-term debt	-	-	-	-	-	40,737	40,737
AEA flowthrough	358,743	-	-	-	-	-	358,743
	358,743	-	-	247,144	49,961	818,426	1,474,274
Total expenditures	9,087,215	242,539	213,333	317,256	216,157	818,426	10,894,926
Excess (deficiency) of revenues over (under) expenditures	49,883	5,774	22,509	5,199	759,168	(817,502)	25,031
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	818,426	818,426
Operating transfers out	-	-	-	-	(818,426)	-	(818,426)
Total other financing sources (uses)	-	-	-	-	(818,426)	818,426	-
Net change in fund balances	49,883	5,774	22,509	5,199	(59,258)	924	25,031
Fund balances beginning of year	1,614,682	122,676	584,880	190,466	314,174	47,743	2,874,621
Fund balances end of year	\$ 1,664,565	128,450	607,389	195,665	254,916	48,667	2,899,652

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E)	\$ 25,031
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities	
This represents the change from FY09 to FY10	13,505
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:	
Capital outlays	\$ 625,477
Depreciation expense	<u>(669,701)</u> (44,224)
Undepreciated basis in capital assets disposed of during the year	(54,393)
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(1,198)
 Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
	777,689
 An internal service fund is used by the District to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	
	(25,086)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Other postemployment benefits	(222,338)
Early retirement payments	<u>76,431</u> (145,907)
 Change in net assets of governmental activities (Exhibit B)	 <u>\$ 545,417</u>

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Enterprise Fund	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 67,739	209,685
Other receivables	-	1,144
Inventories	15,026	-
Capital assets, net of accumulated depreciation	64,898	-
Total assets	<u>147,663</u>	<u>210,829</u>
Liabilities		
Accrued salary and benefits	<u>24,625</u>	<u>-</u>
Net Assets		
Invested in capital assets, net of related debt	64,898	-
Unrestricted	<u>58,140</u>	<u>210,829</u>
Total net assets	<u>\$ 123,038</u>	<u>210,829</u>

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2010

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 204,615	1,028,562
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	122,837	-
Benefits	39,190	-
Supplies	202,391	-
Depreciation	9,249	-
	373,667	-
Internal service programs:		
Benefits	-	1,057,739
Total operating expenses	373,667	1,057,739
Operating (loss)	(169,052)	(29,177)
Non-operating revenues:		
Local sources	919	4,091
State sources	3,958	-
Federal sources	175,167	-
	180,044	4,091
Net change in fund net assets	10,992	(25,086)
Net assets beginning of year	112,046	235,915
Net assets end of year	\$ 123,038	210,829

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	<u>Enterprise</u>	<u>Internal</u>
	<u>School</u>	<u>Service</u>
	<u>Nutrition</u>	<u>Health</u>
		<u>Insurance</u>
Cash flows from operating activities:		
Cash received from sale of services	\$ 204,615	1,027,418
Cash payments to employees for services	(156,189)	(1,057,739)
Cash payments to suppliers for goods or services	(180,668)	-
Net cash (used by) operating activities	<u>(132,242)</u>	<u>(30,321)</u>
Cash flows from non-capital financing activities:		
State grants received	3,958	-
Federal grants received	150,393	-
Net cash provided by non-capital financing activities	<u>154,351</u>	<u>-</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	<u>(8,070)</u>	<u>-</u>
Cash flows from capital financing activities:		
Interest on investments	<u>919</u>	<u>4,091</u>
Net increase in cash and cash equivalents	14,958	(26,230)
Cash and cash equivalents beginning of year	<u>52,781</u>	<u>235,915</u>
Cash and cash equivalents end of year	<u>\$ 67,739</u>	<u>209,685</u>
Reconciliation of operating (loss) to net cash		
(used by) operating activities:		
Operating (loss)	\$ (169,052)	(29,177)
Adjustments to reconcile operating (loss) to net cash		
(used by) operating activities:		
Depreciation	9,249	-
Commodities used	24,774	-
Decrease in other receivables	-	1,144
(Increase) in inventory	(3,051)	-
Increase in accrued salary and benefits	5,838	-
	<u>\$ (132,242)</u>	<u>(28,033)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$24,774.

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust	Agency Special Needs
	<u>Scholarship</u>	<u>Needs</u>
Assets		
Cash	\$ 27,289	3,124
Other receivables	600	-
Total assets	<u>27,889</u>	<u>3,124</u>
Liabilities		
Accounts payable	-	3,124
Net assets		
Reserved for scholarships	<u>\$ 27,889</u>	<u>-</u>

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest on investments	\$ 143
Contributions	<u>3,700</u>
Total additions	<u>3,843</u>
Deductions:	
Support services:	
Other	<u>3,926</u>
Total deductions	<u>3,926</u>
Change in net assets	(83)
Net assets beginning of year	<u>27,972</u>
Net assets end of year	<u>\$ 27,889</u>

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Okoboji Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Milford, Arnolds Park, Fostoria, West Okoboji and Wahpeton, Iowa, and agricultural area in Dickinson and Clay Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Okoboji Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Okoboji Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dickinson County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The District reports the following major proprietary funds:

One of the District's proprietary funds is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee benefit cafeteria plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards and the purchase of items for students with personal needs.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ -
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent federal program funds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2010.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 248,655	-	-	248,655
Capital assets being depreciated:				
Buildings	17,158,329	152,557	55,217	17,255,669
Improvements other than buildings	1,204,299	132,055	-	1,336,354
Furniture and Equipment	3,021,319	340,865	68,868	3,293,316
Total capital assets being depreciated	21,383,947	625,477	124,085	21,885,339
Less accumulated depreciation for:				
Buildings	5,540,686	356,003	824	5,895,665
Improvements other than buildings	617,983	54,338	-	672,321
Furniture and Equipment	2,273,478	259,360	68,868	2,463,970
Total accumulated depreciation	8,432,147	669,701	69,692	9,032,156
Total capital assets being depreciated, net	12,951,800	(44,224)	54,393	12,853,183
Governmental activities, capital assets, net	\$ 13,200,455	(44,224)	54,393	13,101,838
Business type activities:				
Furniture and equipment	\$ 341,251	8,070	-	349,321
Less accumulated depreciation	275,174	9,249	-	284,423
Business type activities capital assets, net	\$ 66,077	(1,179)	-	64,898
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 669,701
Business Type activities:				
Food service operations				\$ 9,249

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year
Net OPEB Liability	\$ -	222,338	-	222,338
Early Retirement	466,402	7,671	84,103	389,970
Revenue Bonds	1,232,475	-	769,883	462,592
Real Estate Contract	156,786	-	7,806	148,980
Total	\$1,855,663	230,009	861,792	1,223,880

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$373,688, \$343,609, and \$305,395 respectively, equal to the required contributions for each year.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$358,743 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Early Retirement

The District offers a voluntary early retirement program plan to all its certified employees. Eligible employees must be at least age fifty-four by October 1, 2005 and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include the payment of health insurance premiums, at a fixed amount, by the District until age sixty-five. Early retirement expenditures for the year ended June 30, 2010 totaled \$84,103.

(8) Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 2005			
	Interest Rate	Principal	Interest	Total
2011	3.757%	\$462,591	5,800	468,392

The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds included the following provisions:

- The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received. Current revenues of \$972,290 are more than adequate to cover \$468,392 of debt payment requirement.

(9) **Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$815,428</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(10) **Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) **Real Estate Contract**

In 2008, the District borrowed \$163,000 for the purchase of a building to house the alternative high school.

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	5.00%	\$ 7,263	8,205	15,468
2012	5.00	6,843	8,625	15,468
2013	5.00	6,402	9,066	15,468
2014	5.00	<u>1,529</u>	<u>123,084</u>	<u>124,613</u>
		<u>\$22,037</u>	<u>148,980</u>	<u>171,017</u>

Monthly payments of \$1,289 are due through September 1, 2013. At that time, the remaining balance of \$120,746 will have to be repaid or refinanced.

(12) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 124 active and 18 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$318,889
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	318,889
Contributions made	(96,551)
Increase in net OPEB obligation	222,338
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$222,338</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The year ended June 30, 2010, the District contributed \$96,551 to the medial plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$318,889	30.3%	\$222,338

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$2.555 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.555 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,692,000 and the ratio of the UAAL to covered payroll was 44.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities fro the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$570 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Required Supplementary Information

OKOBOJI COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 9,565,374	205,534	9,770,908	10,027,129	10,027,129	(256,221)
State sources	416,163	3,958	420,121	1,250,491	1,250,491	(830,370)
Federal sources	938,420	175,167	1,113,587	705,000	705,000	408,587
Total revenues	<u>10,919,957</u>	<u>384,659</u>	<u>11,304,616</u>	<u>11,982,620</u>	<u>11,982,620</u>	<u>(678,004)</u>
Expenditures/Expenses:						
Instruction	6,712,836	-	6,712,836	7,323,519	7,323,519	610,683
Support services	2,707,816	-	2,707,816	3,822,000	3,822,000	1,114,184
Non-instructional programs	-	373,667	373,667	576,846	576,846	203,179
Other expenditures	1,474,274	-	1,474,274	1,674,351	1,674,351	200,077
Total expenditures/expenses	<u>10,894,926</u>	<u>373,667</u>	<u>11,268,593</u>	<u>13,396,716</u>	<u>13,396,716</u>	<u>2,128,123</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	25,031	10,992	36,023	(1,414,096)	(1,414,096)	1,450,119
Other financing sources (uses)	-	-	-	818,000	818,000	(818,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	25,031	10,992	36,023	(596,096)	(596,096)	632,119
Balance beginning of year	<u>2,874,621</u>	<u>112,046</u>	<u>2,986,667</u>	<u>2,971,382</u>	<u>2,971,382</u>	<u>15,285</u>
Balance end of year	<u>\$ 2,899,652</u>	<u>123,038</u>	<u>3,022,690</u>	<u>2,375,286</u>	<u>2,375,286</u>	<u>647,404</u>

See accompanying independent auditor's report.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$2,555	\$2,555	0.0%	\$5,692	44.9%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
All School Play	\$ 840	675	519	996
Speech	639	2,145	2,784	-
Debate Tournament	502	3,472	2,576	1,398
HS Debate	-	7,353	5,526	1,827
Debate Fundraiser	974	464	420	1,018
Show Choir	3,485	4,329	2,131	5,683
Jazz Band	-	6,170	6,170	-
Musical	4,323	5,252	1,854	7,721
Cross Country	2,263	716	1,780	1,199
Tennis	-	100	63	37
Golf	1,184	712	1,389	507
Boys Basketball	4,363	5,612	7,240	2,735
Football	10,142	6,806	13,770	3,178
Football Fundraisers	-	215	-	215
Baseball	734	7,524	8,258	-
Boys Track	1,301	3,249	2,884	1,666
Wrestling	2,362	14,536	12,194	4,704
Girls Basketball	4,151	6,421	7,867	2,705
Volleyball	2,255	8,066	9,154	1,167
Softball	478	10,207	8,480	2,205
Girls Track	918	4,103	4,266	755
MS Athletics	2,098	8,079	10,177	-
Class of 2004	160	-	160	-
Class of 2005	71	-	71	-
Class of 2006	189	-	189	-
Class of 2007	177	-	177	-
Class of 2008	192	-	192	-
Class of 2009	679	-	679	-
Class of 2010	1,019	299	799	519
Class of 2011	557	5,496	5,225	828
Class of 2012	187	299	118	368
Class of 2013	900	304	120	1,084
Class of 2014	-	850	-	850
Pictures	456	-	-	456
National Honor Society	-	215	185	30
Activity Tickets	2,563	9,420	11,983	-
Interest	6,583	2,370	8,859	94
Concessions	-	27,245	26,530	715
Student Pop	3,413	5,698	4,858	4,253
Pioneer Club	7,259	14,062	21,321	-
Student Council	2,801	1,117	3,125	793
Student Council Milk	972	2,778	2,972	778
Cheerleaders	1,630	1,312	2,721	221
Drill Team	2,827	2,247	2,076	2,998
Annual	2,032	11,398	6,988	6,442
Spanish Club	4,864	7,675	4,576	7,963

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Science Club	1,602	-	234	1,368
FFA	6,839	55,399	25,730	36,508
Culinary Arts	1,489	1,730	1,829	1,390
Thespian Club	1,583	-	252	1,331
Art Appreciation	923	1,082	848	1,157
Industrial Arts Club	-	643	-	643
Academic Awards	377	-	274	103
Key Club	2,600	895	1,756	1,739
HS Spec Ed Club	2,018	46	116	1,948
DECA	1,300	6,441	7,725	16
Elementary	13,859	2,488	12,477	3,870
EL/MS Special Ed Club	815	20	264	571
Third Grade	70	2,000	155	1,915
OES Character Counts	1,380	-	587	793
Elementary K-Kids Club	322	-	-	322
MS Student Senate	1,891	-	1,155	736
MS Concessions	-	2,831	2,831	-
OMS TAG - Boston Trip	-	4,285	141	4,144
MS Magazine Sales	1,790	15,976	16,379	1,387
MS Spirit Club	109	-	-	109
MS Builders Club	239	-	-	239
MS Archery Club	927	-	874	53
	<u>122,676</u>	<u>292,827</u>	<u>287,053</u>	<u>128,450</u>
Less transfers		<u>(44,514)</u>	<u>(44,514)</u>	
Totals	<u>122,676</u>	<u>248,313</u>	<u>242,539</u>	<u>128,450</u>

See accompanying independent auditor's report.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

		Modified Accrual Basis									
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:											
Local sources:											
Local tax	\$ 8,530,278	\$ 7,995,383	7,425,261	7,804,516	6,866,765	6,522,808	6,212,458	5,792,852	4,713,103	4,325,259	
Tuition	616,747	492,471	565,965	547,104	471,660	404,145	271,723	254,818	178,933	315,555	
Other	418,349	545,049	471,259	695,224	401,532	361,779	374,327	658,826	876,122	340,852	
State sources	416,163	1,432,268	1,945,081	1,830,669	2,085,303	2,250,304	2,070,348	2,624,186	2,842,578	2,851,242	
Federal sources	938,420	702,721	180,647	259,106	288,506	120,445	135,627	138,320	116,527	135,542	
Total	\$ 10,919,957	\$ 11,167,892	10,588,213	11,136,619	10,113,766	9,659,481	9,064,483	9,469,002	8,727,263	7,968,450	
Expenditures:											
Instruction	\$ 6,712,836	\$ 6,751,323	6,017,774	5,853,983	5,669,344	5,367,848	5,269,470	4,946,804	4,727,103	5,050,315	
Support services:											
Student services	259,635	229,474	305,035	443,438	474,575	298,795	304,356	270,377	288,355	253,669	
Instructional staff	254,432	245,583	339,627	322,767	558,304	265,083	250,005	229,762	184,714	187,147	
Administration	1,011,057	846,376	843,449	827,716	787,710	801,969	733,467	684,537	615,802	560,529	
Operation and maintenance of plant	794,111	808,885	882,472	822,464	751,089	716,128	640,696	515,513	601,015	609,989	
Transportation	388,581	428,071	393,666	438,837	361,773	226,331	289,369	194,993	229,131	247,047	
Other expenditures:											
Facilities acquisition	297,105	500,647	125,360	592,510	1,058,877	962,361	4,121,315	1,804,749	440,883	105,447	
Debt service:											
Principal	777,689	747,805	714,338	873,086	973,509	1,205,000	685,000	655,000	555,505	310,522	
Interest and services	40,737	68,043	88,620	116,630	137,364	267,554	203,522	254,540	211,077	82,094	
AEA flowthrough	358,743	320,746	312,783	307,878	288,255	290,337	285,224	298,783	299,952	303,479	
Total	\$ 10,894,926	\$ 10,946,953	10,023,124	10,599,309	11,060,800	10,401,406	12,782,424	9,855,058	8,153,537	7,710,238	

See accompanying independent auditor's report.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY10	\$ 22,425
Food Distribution (non-cash)	10.555	FY10	24,774
National School Lunch Program	10.555	FY10	127,968
			<u>175,167</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY10	85,055
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	37,375
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	377,035
Carol M. White Physical Education Program	84.215F	FY10	191,889
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	3,125
Grants for Assessments and Related Activities	84.369	FY10	5,564
Improving Teacher Quality - States Grants	84.367	FY10	29,927
Vocational Education - Basic Grants to States	84.048	FY10	4,776
Title III - English Language Acquisition State Grants	84.365	FY10	542
Comprehensive Centers (Tech Prep)	84.243	FY10	2,500
Prairie Lakes Area Education Agency 8			
Special Education - Preschool Grants	84.173	FY10	1,833
Special Education - Grants to States (IDEA Part B)	84.027	FY10	43,473
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY10	95,096
Total			<u>\$ 1,053,357</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Okoboji Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Okoboji Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Okoboji Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okoboji Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

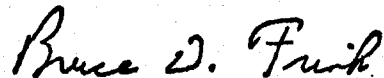
As part of obtaining reasonable assurance about whether Okoboji Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted no instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Okoboji Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Okoboji Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Okoboji Community School District and other parties to whom Okoboji Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Okoboji Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 8, 2011

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Okoboji Community School District:

Compliance

We have audited the compliance of Okoboji Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Okoboji Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Okoboji Community School District's management. Our responsibility is to express an opinion on Okoboji Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Okoboji Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Okoboji Community School District's compliance with those requirements.

In our opinion Okoboji Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of Okoboji Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Okoboji Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Okoboji Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Okoboji Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Okoboji Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Okoboji Community School District and other parties to whom Okoboji Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

February 8, 2011

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215F - Carol M. White Physical Education Program
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Okoboji Community School District did not qualify as a low-risk auditee.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-10 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

CFDA Number 84.215F - Carol M. White Physical Education Program
Federal Award Year: 2010
US Department of Education
Passed through Iowa Department of Education

CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
Federal Award Year: 2010
US Department of Education
Passed through Iowa Department of Education

III-A-10 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the certified budget amounts in any of the four functions.

IV-B-10 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

- IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ -
Statewide sales, services and use tax revenue		972,290
Expenditures/transfers out:		
School infrastructure:		
Equipment	\$155,864	
Debt service for school infrastructure:		
Revenue Bonds	<u>816,426</u>	<u>972,290</u>
Ending balance		\$ -

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 Of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$0.84	816,426
Physical Plant and Equipment Levy	<u>0.16</u>	<u>155,864</u>
	<u>\$1.00</u>	<u>972,290</u>